

CHAPTER 1124

ECONOMIC DEVELOPMENT PROGRAMS — INVESTMENT TAX CREDITS, TARGETED SMALL BUSINESSES, INFRASTRUCTURE, ENDOW IOWA, AND DEVELOPMENT REGIONS

S.F. 2359

AN ACT relating to the administration of certain economic development programs by the economic development authority and including effective date and retroactive applicability provisions.

Be It Enacted by the General Assembly of the State of Iowa:

DIVISION I INVESTMENT TAX CREDITS

Section 1. Section 15E.43, subsection 1, paragraph b, Code 2014, is amended to read as follows:

b. A tax credit shall be allowed only for an investment made in the form of cash to purchase equity in a qualifying business or in a community-based seed capital fund. A taxpayer that has received a tax credit for an investment in a community-based seed capital fund shall not claim the tax credit prior to the third tax year following the tax year in which the investment is made. Any tax credit in excess of the taxpayer's liability for the tax year may be credited to the tax liability for the following five years or until depleted, whichever is earlier. A tax credit shall not be carried back to a tax year prior to the tax year in which the taxpayer redeems the tax credit.

Sec. 2. Section 15E.43, subsections 3 and 5, Code 2014, are amended to read as follows:

3. An investment shall be deemed to have been made on the same date as the date of acquisition of the equity interest as determined by the Internal Revenue Code. ~~An investment made prior to January 1, 2002, shall not qualify for a tax credit under this division.~~

5. ~~A tax credit shall not be redeemed during any tax year beginning prior to January 1, 2005.~~ A tax credit shall not be transferable to any other taxpayer.

Sec. 3. Section 15E.43, Code 2014, is amended by adding the following new subsection:

NEW SUBSECTION. 5A. A tax credit issued pursuant to this division for an equity investment in a qualifying business, as described in section 15E.44, which is made on or after January 1, 2014, shall not be redeemed by a taxpayer prior to January 1, 2016.

Sec. 4. Section 15E.44, subsection 1, Code 2014, is amended to read as follows:

1. In order for an equity investment to qualify for a tax credit, the business in which the equity investment is made shall, within one hundred twenty days of the date of the first investment, notify the authority of the names, addresses, shares issued, consideration paid for the shares, and the amount of any tax credits, of all shareholders who may initially qualify for the tax credits, ~~and the earliest year in which the tax credits may be redeemed.~~ The list of shareholders who may qualify for the tax credits shall be amended as new equity investments are sold or as any information on the list shall change.

Sec. 5. Section 15E.44, subsection 2, paragraph f, Code 2014, is amended to read as follows:

f. The business shall have secured, ~~within twenty-four months following the first date on which the equity investments qualifying for tax credits have been made,~~ total equity or financing, near equity financing, binding investment commitments, or some combination thereof, equal to at least two hundred fifty thousand dollars.

Sec. 6. Section 15E.45, subsection 3, paragraph a, subparagraph (3), Code 2014, is amended by striking the subparagraph and inserting in lieu thereof the following:

(3) Any other information required by the authority.

Sec. 7. Section 15E.45, subsection 6, Code 2014, is amended to read as follows:

6. In the event that a community-based seed capital fund fails to meet or maintain any requirement set forth in this section, or in the event that at least thirty-three percent of the invested capital of the community-based seed capital fund has not been invested in one or more separate qualifying businesses, measured at the end of the ~~forty-eighth~~ thirty-sixth month after commencing the fund's investing activities, the authority shall rescind any tax credit certificates issued to limited partners or members and shall notify the department of revenue that it has done so, and the tax credit certificates shall be null and void. ~~However, a~~ A community-based seed capital fund may apply to the authority for a one-year waiver of the requirements of this subsection.

Sec. 8. RETROACTIVE APPLICABILITY. Except as otherwise provided in this division of this Act, this division of this Act applies retroactively to January 1, 2014, for tax years beginning and investments made on or after that date.

DIVISION II TARGETED SMALL BUSINESS ASSISTANCE

Sec. 9. 2013 Iowa Acts, chapter 13, section 10, subsections 1 and 2, are amended to read as follows:

1. Upon repeal of the targeted small business financial assistance program established in section 15.247, the authority shall transfer all unencumbered and unobligated moneys accruing to the authority pursuant to existing agreements to a fund established by the authority in the state treasury under the control of the authority pursuant to section 15.106A, subsection 1, paragraph "o", to be used for the purposes of providing assistance to targeted small businesses pursuant to ~~subsection~~ subsections 3 and 4 of this section of this Act.

2. Loan payments or repayments and recaptures of principal, interest, or other moneys accruing to the authority on or after June 30, 2013, pursuant to an agreement under section 15.247, shall be transferred to a fund established by the authority in the state treasury under the control of the authority pursuant to section 15.106A, subsection 1, paragraph "o", to be used for the purposes of providing assistance to targeted small businesses pursuant to ~~subsection~~ subsections 3 and 4 of this section of this Act.

Sec. 10. 2013 Iowa Acts, chapter 13, section 10, subsection 3, paragraph c, is amended to read as follows:

c. The authority shall, upon completion of the initial performance period and the other applicable terms of the agreement with the microloan service provider, submit a report to the general assembly and the governor's office describing the results achieved by the service provider and shall make recommendations as to whether the state should continue to provide funds for future fiscal years for the purpose of providing financial and technical assistance to targeted small businesses through the services of a microloan service provider. The report shall also include the results achieved by the program established to assist entities in developing a statewide initiative designed to increase the number of female entrepreneurs in the state pursuant to subsection 4.

Sec. 11. 2013 Iowa Acts, chapter 13, section 10, is amended by adding the following new subsection:

NEW SUBSECTION. 4. a. From the moneys transferred pursuant to subsections 1 and 2, the authority may use amounts not allocated for purposes of subsection 3 for purposes of this subsection.

b. The authority may establish a program to assist one or more private sector entities in implementing a multiyear statewide initiative designed to increase the number of female entrepreneurs in the state. Such an initiative shall target at least ten communities around the state, both urban and rural, for training and discussion on the personal, legal, and financial aspects of starting and operating a small business. The initiative shall also provide for individual mentoring, access to matched savings accounts intended to be used for the start or expansion of a small business by a female entrepreneur, and specialized topical workshops useful to female entrepreneurs.

c. A targeted small business owned, operated, and actively managed by one or more women that is receiving assistance under subsection 3 is also eligible to receive assistance under this subsection.

d. The program established pursuant to this subsection shall be implemented, to the extent practicable, in a manner that complements the program established pursuant to subsection 3. Results achieved by the program established pursuant to this subsection shall be included in the report prepared pursuant to subsection 3.

Sec. 12. EFFECTIVE UPON ENACTMENT. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

DIVISION III STRATEGIC INFRASTRUCTURE PROGRAM

Sec. 13. Section 15.117A, subsection 6, Code 2014, is amended by adding the following new paragraph:

NEW PARAGRAPH. f. Review and make recommendations on all applications received by the authority for financial assistance under the Iowa strategic infrastructure program pursuant to section 15.313.

Sec. 14. Section 15.311, Code 2014, is amended to read as follows:

15.311 Title.

This part shall be known as the “*Iowa Strategic Investment Fund*” Infrastructure” program.

Sec. 15. Section 15.313, subsection 1, Code 2014, is amended to read as follows:

1. a. An Iowa strategic investment fund is created. The authority shall establish a fund pursuant to section 15.106A, subsection 1, paragraph “o”, for purposes of financing strategic infrastructure projects as described in this section. A fund established for purposes of this section may be administered as a revolving fund consisting and may consist of any money moneys appropriated by the general assembly for that purpose purposes of this section and any other moneys that are lawfully available to and obtained or accepted by the authority, from the federal government or private sources for placement in the fund including moneys transferred or deposited from other funds created pursuant to section 15.106A, subsection 1, paragraph “o”. Any moneys appropriated to a fund for purposes of this section shall be used for purposes of the strategic infrastructure program.

b. Notwithstanding section 8.33, moneys in the strategic investment a fund established for purposes of this section at the end of each fiscal year shall not revert to any other fund but shall remain in the strategic investment infrastructure fund for expenditure for subsequent fiscal years.

c. Moneys in a fund established for purposes of this section, except for moneys appropriated to a fund for purposes of this section, may be transferred to other funds created pursuant to section 15.106A, subsection 1, paragraph “o”.

Sec. 16. Section 15.313, subsection 2, unnumbered paragraph 1, Code 2014, is amended to read as follows:

The assets of the fund program shall be used by the authority to assist in provide financial assistance for strategic infrastructure projects that are intended to lead to relocation or expansion projects for existing businesses as well as entrepreneurial start-up and expansion projects financial assistance for new businesses. Moneys in the fund shall be used for projects designed to meet any of the following purposes:

Sec. 17. Section 15.313, subsection 2, paragraphs a, b, c, d, e, and f, Code 2014, are amended by striking the paragraphs.

Sec. 18. Section 15.313, Code 2014, is amended by adding the following new subsection:
NEW SUBSECTION. 2A. The Iowa innovation council shall review each application received by the economic development authority for financial assistance under the program and shall make recommendations to the board regarding all of the following:

- a. The completeness of the application.
- b. Whether the board should approve an application for financial assistance, and if so, the amount of such financial assistance.

Sec. 19. Section 15.313, subsection 3, Code 2014, is amended by striking the subsection and inserting in lieu thereof the following:

3. For purposes of this section, unless the context otherwise requires:
 - a. “*Financial assistance*” means the same as defined in section 15.102.
 - b. “*Strategic infrastructure*” means projects that develop commonly utilized assets that provide an advantage to one or more private sector entities or that create necessary physical infrastructure in the state, and such projects are not adequately provided by the public or private sectors. Such projects may include vertical improvement developments, facilities and equipment upgrades, or the redevelopment or repurposing of underutilized property or other assets, provided that each project is intended to attract additional public or private sector investment and result in broad-based prosperity in this state.
 - c. “*Vertical improvement*” means the same as defined in section 15J.2.

Sec. 20. Section 15.313, Code 2014, is amended by adding the following new subsection:
NEW SUBSECTION. 4. The authority shall adopt rules to implement and administer this section. In adopting such rules, the authority shall narrowly construe the provisions of this section.

Sec. 21. Section 15.335B, subsection 2, paragraph a, Code 2014, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (7) For deposit in a fund created for purposes of the strategic infrastructure program established pursuant to section 15.313.

Sec. 22. Section 384.4, subsection 1, paragraph b, Code 2014, is amended to read as follows:

b. Interest as it becomes due and the amount necessary to pay, or to create a sinking fund to pay, the principal at maturity of all general obligation bonds issued by the city ~~or to pay, or to create a sinking fund to pay, amounts as due on loans received through the former Iowa community development loan program pursuant to section 15E.120.~~

Sec. 23. 2011 Iowa Acts, chapter 133, section 13A, as enacted by 2013 Iowa Acts, chapter 142, section 7, is amended to read as follows:

SEC. 13A. TRANSITION UPON REPEAL.

1. Any moneys in the economic development fund created pursuant to section 15G.111, Code Supplement 2011, that remain unobligated on July 1, 2013, shall be transferred to the rebuild Iowa infrastructure fund. The authority shall provide notification to the department of management and to the legislative services agency at the time of the transfer.

2. Loan payments or repayments and recaptures of principal, interest, or other moneys accruing to the authority on or after July 1, 2013, pursuant to an agreement under chapter 15G, subchapter I, shall be transferred by the authority to a fund established by the authority in the state treasury pursuant to section 15.106A, subsection 1, paragraph “o”.

3. The authority may use any moneys accruing pursuant to subsection 2 for purposes of section 15.313.

Sec. 24. REPEAL. Section 15E.120, Code 2014, is repealed.

Sec. 25. EFFECTIVE UPON ENACTMENT. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 26. RETROACTIVE APPLICABILITY. The section of this division of this Act amending 2011 Iowa Acts, chapter 133, section 13A, as enacted by 2013 Iowa Acts, chapter 142, section 7, applies retroactively to July 1, 2013.

DIVISION IV
ENDOW IOWA PROGRAM

Sec. 27. Section 15E.303, subsection 4, Code 2014, is amended to read as follows:

4. “*Endow Iowa qualified community foundation*” means a community foundation organized or operating in this state that ~~substantially complies with~~ attains the national standards established by the national council on foundations as determined by the authority in collaboration with the Iowa council of foundations.

DIVISION V
ECONOMIC DEVELOPMENT REGIONS

Sec. 28. Section 15E.231, unnumbered paragraph 1, Code 2014, is amended to read as follows:

In order for an economic development region to receive assistance pursuant to section 15.335B, an economic development region’s regional development plan must be approved by the authority. An economic development region shall consist of ~~not less than three counties, unless two contiguous counties have a combined population of at least three hundred thousand based on the most recent federal decennial census~~ three or more contiguous counties or two or more contiguous counties and one or more public or private, nonprofit entities that have entered into an agreement to pursue mutual economic development goals with a regional focus. An economic development region shall establish a focused economic development effort that shall include a regional development plan relating to one or more of the following areas:

Sec. 29. EFFECTIVE UPON ENACTMENT. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Approved May 30, 2014